

**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**ID #13730  
RESOLUTION O-0061  
March 26, 2015**

**R E S O L U T I O N**

Resolution O-0061: Chevron Pipe Line Company requests approval of the deletion of certain routes on its KLM Pipeline System and a 10% rate increase for the KLM and Western San Joaquin systems.

**PROPOSED OUTCOME:**

- This resolution approves: 1) the requested changes to rates, subject to refund, 2) the deletion of certain transportation routes and 3) minor tariff wording changes. Refunds related to the rate increase were ordered in Decision 14-06-005.

**SAFETY CONSIDERATIONS:**

- The transportation of crude oil has inherent safety risks. The tariff changes proposed by Chevron do not directly impact these risks.
- It is Chevron Pipe Line Company's responsibility to adhere to all Commission rules, decisions, General Orders, and statutes including Public Utility Code Section 451 to take all actions "...necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public."

**ESTIMATED COST:**

- 10 percent increase to rates implemented subject to refund per Public Utilities Code Section 455.3 (subsequently refunded per Commission Decision 14-06-005).

By Advice Letters 47 filed on November 30, 2012 and 47-A filed on September 15, 2014.

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**SUMMARY**

**This Resolution approves Advice Letter (AL) 47 and supplemental AL 47-A. AL 47 requested approval of rate increases of 10 percent for the intrastate transportation of crude oil on the Chevron Pipe Line Company (CPL, or**

**Chevron) Western San Joaquin and KLM Pipeline Systems, the deletion of certain routes from Chevron's Tariffs and, minor administrative wording changes to update the Tariffs. AL 47-A was filed as a Tier 3 AL, as required for a deleted service, and provides additional information concerning the deletion of service.**

AL 47 was filed as a Tier 1 advice letter. A Tier 1 AL is the appropriate level for the requested rate increase. The removal of certain service from its Tariffs requires, under General Order 96-B, Energy Industry Rule 5.3(6), that CPL file a Tier 3 AL. Further, AL 47 lacked any information explaining the reasons for the deletion of the routes, the impact on shippers and the future status of the service. AL 47-A was filed as a Tier 3 AL in order to meet the requirement of Energy Industry Rule 5.3(6) and to provide supporting information for the deletion of service.

A protest was filed by Tesoro Refining and Marketing Company concerning the requested 10% rate increase, but the rate increase has been terminated and refunds have been ordered by Commission Decision 14-06-005.

## **BACKGROUND**

**On November 30, 2012 CPL filed Advice Letter 47 requesting Commission approval for revisions to tariffs governing transportation of crude petroleum and gathering services on its KLM and Western San Joaquin pipeline systems. CPL proposed to: (1) increase the transportation rates and gathering charges by 10 percent; (2) delete certain destination points on one of the systems; and (3) incorporate minor wording changes. AL 47 was filed with the Commission as a Tier 1 AL. The proposed effective date of the revisions was January 1, 2013.**

**The rate increases proposed in AL 47 were made in accordance with Public Utilities Code Section 455.3, and consistent with General Order 96-B, Energy Industry Rule 5.1(7), were filed in a Tier 1 AL. Section 455.3 authorizes the implementation, subject to refund, of oil pipe line rate increases not exceeding 10% per twelve month period without prior Commission approval upon 30 days notice of the increase. These increases, made via an advice letter, are subject to refund, and may be subsequently reduced or disallowed by the Commission. (Petroleum pipeline rates approved in a Commission decision in a formal proceeding would not be subject to refund.) AL 47 was suspended by the Energy**

Division for 30 days and the proposed rate increases were implemented in February 1, 2013 after the end of the suspension period per Section 455.3.

**The proposed tariff revisions deleting certain destination points may not be proposed in a Tier 1 Advice Letter. General Order 96-B, Energy Industry Rule 5.3(6) requires a Tier 3 Advice Letter** for requests concerning “withdrawing a service, abandoning service within an area, canceling a rate schedule, or closing a rate schedule to new customers, unless the action is authorized by a prior Commission decision, resolution, or order.” Further, AL 47 did not provide pertinent information concerning the reasons for and the impact of the proposed deletion of certain destination points. As requested by the Energy Division, CPL then filed AL 47-A on September 15, 2014 as a Tier 3 advice letter. In AL 47-A CPL again requested approval of the deletion of certain transportation routes, and included additional information related to the deletion of service.

**The wording changes incorporated in the revisions are administrative in nature appropriate to a Tier 1 AL.** They update personnel, address and contact information included in the Tariffs.

**On November 30, 2014, the same date that AL 47 was filed, CPL filed Application 12-11-027.** The application also sought Commission approval to increase rates/charges by 10%. The application included a cost of service showing which supported a rate increase of up to 61% based on the data included in the application. The application was protested by Tesoro Refining and Marketing Company (Tesoro) and Valero Marketing and Supply Company. Neither protest objected to any element of CPL’s cost of service showing.

**On February 10, 2014 CPL moved for leave to withdraw the application and for additional necessary authority to refund to shippers the rate increase put into effect in February of 2013.** Decision 14-06-005 denied the request for withdrawal but treated the request as an amendment to Application 12-11-027. The decision ordered CPL to file new tariffs that would set rates at the levels in place prior to the requested increase and AL 47. CPL was also ordered to refund any amounts charged to customers due to the rate increase. CPL implemented a refund plan and as of the end of July 2014 all necessary refunds were made. The total amount Chevron returned to its shippers was \$2,928,065.92.

**On June 18, 2014 CPL filed Advice Letter 51. Per Ordering Paragraph 4 of D.14-06-005, AL 51 provided tariffs returning rates to their pre increase level and described its refund plan. AL 51 was approved on July 15, 2014.**

## **NOTICE**

Notice of AL 47 and AL 47-A was made by publication in the Commission's Daily Calendar. In accordance with General Order 96-B, Section 4, a copy of the Advice Letters was sent electronically and via U.S. mail to parties on the lists attached to the ALs.

## **PROTESTS**

**Advice Letter 47 was timely protested by Tesoro. The Tesoro protest is limited to changes to tariffs impacting service on the KLM System. The protest does not make any statement concerning the revisions deleting service nor to the proposed wording changes to the tariffs. The protest was filed on December 20, 2012.**

**Tesoro presents four reasons for its protest.**

1. The protest expresses Tesoro's belief that the rate increase is unjustified, unjust and unreasonable when considered in the context of a contamination event that removed the KLM line from service for the period of September 19, 2012 through December 9, 2012.
2. Tesoro notes that it would later protest CPL's Application 12-11-027, and in an "abundance of caution" it is also submitting a protest to AL 47.
3. The protest comments that CPL has increased its KLM rates for each of the past several years. Tesoro goes on to assert that the rate increase is not supported in the Advice Letter and the increase will result in rates above those charged by competing pipelines offering more services and who have not experienced contamination events.
4. Tesoro posits that the current KLM tariffs do not include steps to prevent system contamination at some future point.

**CPL replied to Tesoro's protest on December 28, 2012. The reply asserts that AL 47 complies with both the specific requirements and legislative intent of Public Utilities Code Section 455.3. CPL's reply notes that implementing the proposed increase does not limit Tesoro's right to contest Application 12-11-027**

seeking approval of the rate increase. Further, the reply notes that any increase granted under Section 455.3 is subject to retroactive refund.

## **DISCUSSION**

### **Advice Letter 47 and supplemental Advice Letter 47-A are approved.**

Requesting a rate change to an existing oil pipeline tariff by a tier 1 advice letter is in accordance with General Order 96-B, Energy Industry Rule 5.1(7). Further, Energy Industry Rule 8, consistent with Public Utilities Code Section 455.3, provides that a rate increase of up to ten percent in a twelve month period becomes effective subject to refund, unless suspended, after 30 days notice, or if suspended, after a maximum 30 day suspension. Neither the Public Utilities Code nor the Energy Industry Rules attach any additional requirements on increases of ten percent in a twelve month period becoming effective subject to refund. However, while the increase can go into effect as a result of an advice letter, it remains subject to refund until approved or disallowed in part or in full by a Commission decision.

The increase proposed by Chevron fell within the industry rules and the code. As such Chevron could have but was not required to and did not provide additional information about the increase in its AL. The rate became effective, subject to refund, at the end of the 30 day suspension imposed by the Energy Division. The rate increase was explained in more detail in A.12-11-027. A Decision in this Application was required in order to approve the rates in full, thereby removing the possibility of a refund, or disallow them in full or in part.

In any case, rates have been returned to their previous level by D.14-06-005 and refunds have been ordered.

The requested removal of certain routes was improperly filed as part of a Tier 1 AL and lacked supporting documentation. However, AL 47-A addresses these issues as it was filed as a Tier 3 AL. Further, AL 47-A provided the necessary supporting information concerning the removal of routes from service. Finally, the tariff wording changes are informational in nature.

Advice Letter 47-A notes that:

- (1) The routes were removed from service in July of 2011 on discovery of an integrity issue on the segment that connected KLM with the Plains

Pipe Line. The line was purged with nitrogen and disconnected at both ends. Notification of abandonment was provided to the California State Fire Marshall.

(2) The only shippers who ever utilized the deleted routes were Chevron Products Company and Plains Marketing and Transportation Company. CPL notified these shippers of the deletions.

(3) CPL states that it is not aware of any requests for service on the deleted routes since they were taken out of service, nor has it received any complaints concerning the cessation of service.

(4) CPL has no further intended use for the routes.<sup>1</sup>

**The Tesoro protest is rejected, and is moot in any case. Nothing in the protest is relevant to the requests made in AL 47.** Section 455.3 of the Public Utilities Code is clear and simple. CPL implemented its increase according to the Code and Tesoro provided no information to the contrary. Tesoro's only reference to the properly implemented Section 455.3 increase is to note that CPL has used it several times in the past to increase rates and that these increases combined with that proposed will make CPL's rates higher than those of other competing pipelines. However, nothing restricts CPL from increasing rates as frequently as allowed nor requires that the CPL rate meet Tesoro's undefined measure of competitiveness. Tesoro did not protest the deletion of routes or wording changes to the tariffs. Further, while CPL could have reasonably provided additional information about the rate increase in AL 47 it was not required to do so and the reasons for the rate increase were presented in A.12-11-027.

**Decision 14-06-005 and the resulting CPL AL 51 eliminate any issue relative to the increase implemented through AL 47.** As a result of the decision and the subsequent filing of AL 51 rates have been returned to their pre-increase level and refunds made.

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<sup>1</sup> Advice Letter No. 47-A. September 15, 2014. p. 1.

**AL 47-A corrects deficiencies relating to the removal of routes from CPL tariffs.** As noted above, AL 47-A addressing the removal of routes, was, as required, filed as a Tier 3 AL and included information missing from AL 47.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

## **FINDINGS**

1. On November 30, 2012 Chevron Pipe Line Company (CPL) filed a Tier 1 Advice Letter (AL) requesting: (1) a ten percent increase in rates and gathering charges on its KLM and Western San Joaquin Systems; (2) the deletion of certain routes on the KLM system; and (3) wording changes of an administrative nature to its tariffs for the KLM and Western San Joaquin Systems.
2. Because the proposed CPL rate increases do not exceed 10 percent within a 12 month period they are allowed, subject to refund, by Public Utilities Code Section 455.3. General Order 96-B, Energy Industry Rules allow for increases of up to a total of 10 percent within 12 months to be filed in a Tier 1 AL and implemented with 30 days notice subject to refund pending Commission approval. Implementation of the increase can be suspended for up to 30 days.
3. AL 47 was protested by Tesoro Refining and Marketing Company (Tesoro). The protest is limited to the rate increases on the KLM System. The protest presents no relevant information or reasons as to why CPL should be prevented from implementing its proposed increase.
4. Decision 14-06-005 required that rate be returned to the level in effect before AL 47 and ordered refunds thereby eliminating any issues concerning the increases implemented as a result of AL 47. The subsequent

CPL Advice Letter 51 restored rates to the pre AL 47 level and presented a refund plan. Refunds were made in July 2014.

5. CPL included deletion of certain routes in the Tier 1 AL 47. There was no supporting information concerning the deletion of the routes. Because General Order 96-B, Energy Industry Rule 5.3(6), requires a Tier 3 AL for changes that eliminate service CPL and because no information concerning the deletion of the routes was provided, CPL was required to file a supplemental Tier 3 Advice Letter 47-A. AL 47-A was filed on September 15, 2014.
6. AL 47-A provided the necessary information concerning the deletion of routes. Specifically it noted that the segment of the line serving the deleted routes was disconnected due to pipeline integrity problems, all shippers who used the line were notified, there have been no requests for use of the deleted service, and CPL has no intention for future use of the line.
7. Advice Letters 47 and 47-A should be approved.

**THEREFORE IT IS ORDERED THAT:**

1. The request of Chevron Pipe Line Company to implement rate increases subject to refund pending Commission approval, and make wording changes to its tariffs as requested in Advice Letter 47 is approved.
2. The request of Chevron Pipe Line Company for the deletion of routes from its tariffs as requested in supplemental Advice Letter 47-A is approved.

This Resolution is effective today.



I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 26, 2015 the following Commissioners voting favorably thereon:

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Timothy J. Sullivan  
Executive Director